

Eco World Development (ECW MK)

4QFY25: In Line; Positive Read-Through For FY26 Sales

Highlights

- 4QFY25 results were within expectations. Net gearing improved to 0.28x on perpetual sukuk issuance.
- We view FY26 sales guidance of RM4b as a positive read-through, given its track record of conservative guidance at RM3b-3.5b in prior years.
- Maintain BUY with a target price of RM2.70, implying a PE of 15-17x supported by 20% 3-year CAGR over FY25-28.

4QFY25 Results

Year to 31 Oct (RMm)	4QFY25 (RMm)	3QFY25 (RMm)	4QFY24 (RMm)	qoq % chg	yoy % chg	FY25 (RMm)	yoy % chg
Revenue	750.8	761.9	638.5	(1.5)	17.6	2,930.5	29.8
Gross Profit	286.4	221.2	169.9	29.5	68.6	925.5	51.6
Opex	(126.8)	(80.6)	(86.9)	57.3	45.9	(343.5)	33.5
EBIT	190.9	166.1	105.2	14.9	81.4	686.3	47.5
Net Interest	(30.0)	(36.9)	(65.4)	(18.9)	(54.2)	(115.3)	(27.7)
Shares of JV & Associates	12.2	10.8	64.7	12.9	(81.1)	45.0	(55.5)
PBT	134.1	140.0	104.6	(4.2)	28.3	576.9	41.8
Taxation	(39.0)	(38.9)	(21.1)	0.3	84.7	(170.6)	65.0
PATAMI	126.7	101.2	83.4	25.3	51.9	438.1	44.3
Core PATAMI	124.1	100.5	122.3	23.5	1.5	417.7	17.9
Margin	%	%	%	ppt	ppt	%	ppt
EBIT margin (%)	25.4	21.8	16.5	3.6	8.9	23.4	2.8
Core PATAMI margin (%)	16.5	13.2	19.2	3.3	(2.6)	14.3	(1.4)

Source: Eco World Development, UOB Kay Hian

Analysis

- In line.** Eco World Development (ECW) reported a 4QFY25 core PATAMI of RM124m (+23.5% qoq; +1.5% yoy) on a revenue of RM751m (-1.5% qoq; +17.6% yoy). This brings FY25 core PATAMI to a record high of RM418m, 4% above our and the street's estimates, which we deem in line. Unbilled sales remained high at RM4.9b as of end-Oct 25 (vs RM5.1b as of end-Aug 25).
- Declared a dividend of 2 sen for 4QFY25**, bringing FY25 dividend to 7 sen (vs FY24: 6 sen).

Key Financials

Year to 31 Oct (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	2,258	2,931	3,604	4,009	4,440
EBITDA	490	799	904	1,012	1,114
Operating profit	468	771	865	962	1,043
Net profit (rep./act.)	304	438	539	623	724
Net profit (adj.)	354	418	539	623	724
EPS (sen)	11.5	13.0	16.8	19.4	22.6
PE (x)	18.2	16.1	12.4	10.8	9.3
P/B (x)	1.3	1.0	1.0	1.0	0.9
EV/EBITDA (x)	6.9	5.3	5.1	5.0	5.0
Dividend yield (%)	2.9	3.3	3.9	4.5	5.3
Net margin (%)	15.7	14.3	15.0	15.5	16.3
Net debt/(cash) to equity (%)	18.4	28.1	33.1	38.2	42.8
Interest cover (x)	4.2	6.0	4.7	5.0	5.2
ROE (%)	6.6	8.3	9.9	11.2	12.6
Consensus net profit	-	-	524	538	-
UOBKH/Consensus (x)	-	-	1.03	1.16	-

Source: Eco World Development, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.09
Target Price	RM2.70
Upside	29.2%

Analyst(s)

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Stock Data

GICS sector	Real Estate
Bloomberg ticker:	ECW MK
Shares issued (m):	3,205.8
Market cap (RMm):	6,700.2
Market cap (US\$m):	1,627.2
3-mth avg daily t'over (US\$m):	2.1

Price Performance (%)

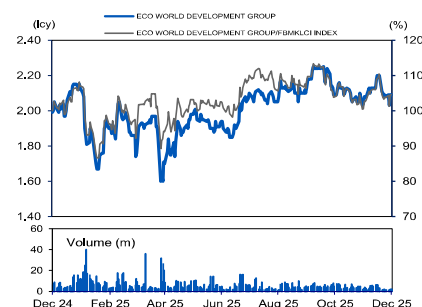
52-week high/low **RM2.27/RM1.52**

1mth	3mth	6mth	1yr	YTD
(0.5)	(1.4)	9.4	4.5	0.0

Major Shareholders

	%
Sinarmas Harta Sdn Bhd	30.3
Liew Tian Xiong	6.8
Eco World Development Holdings	5.3
EPF	4.5
FY26 NAV/Share (RM)	2.03
FY26 Net Debt/Share (RM)	0.67

Price Chart



Source: Bloomberg

Company Description

Property developer with exposure in the Klang Valley, Iskandar Malaysia and Penang.

- **Record breaking property sales; exceeds our expectation.** ECW achieved a record-breaking sale of RM4,546m (+12% yoy) during FY25, exceeding its sales target of RM3.5b and our full-year sales forecast of RM4.2b. During Sep-Oct 25, the company launched landed homes under Eco Botanic 3 (Precinct 1 of Hi.Jau West) and Eco Sun, as well as shop offices under Eco Majestic and Eco Grandeur. Looking ahead, management sets a sales target of RM4b for FY26, supported by contributions from EBP7, Eco Botanic 3, and Eco Radiance (targeted for launch in 1HFY26). We view the higher target as a positive read-through for FY26, given management's track record of conservative guidance at RM3b-3.5b in prior years.
- **ECW has built a sizeable and credible industrial landbank...** ECW has a remaining industrial landbank of RM9.88b (including EBP8's GDV of RM3.75b), accounting for 17% of total remaining GDV as of end-Oct 25. EBP VII's (GDV: RM2.95b) launch in Nov 25 saw strong demand, driven by local industrialists (including repeat customers) and enquiries from global players for larger land tracts. The encouraging take-up subsequently led SD Guthrie (SDG) to increase its stake by 20% in the EBP8 (SDG/ECW: 45%/45%), which ECW had secured via an open tender, reflecting its confidence in the partnership.
- **...to ride on the government's push into the high-value manufacturing segment and JS-SEZ.** ECW is well-positioned to ride the government's push into the high-value manufacturing segment, supported by its track record in managed industrial park and industrial space development, with a client base including Techbond, Haitian Group and Deye New Energy. Management targets to launch EBP8 by end-26, capitalising on the industrial demand strength in JS-SEZ. The development's implied selling price of RM92psf underscores the land's strong prospects, supported by current asking prices of RM45-80psf for industrial land in Kulai.
- **Net gearing declined to 0.28x as of end-4QFY25** (vs 0.53x as of end-3QFY25) as ECW issued a perpetual sukuk with a nominal value of RM800m, which was over 4.5x oversubscribed. The equity-classified sukuk provides flexibility for ECW to acquire more landbanks in the future, supported by the remaining over RM1b of industrial sales proceeds to be recognised in FY26.

Valuation/Recommendation

- **Maintain BUY with a target price of RM2.70.** Our target price is based on a discount to RNAV of 25% and implies 1.3x FY26-27F P/B (+2SD to 10-year mean: 0.7x) and 14-16x FY26-27F PE. This is supported by strong earnings 3-year CAGR of 20% over FY25-28 and an improvement in earnings quality from the inclusion of recurring data centre rental income. We like EcoWorld for its solid earnings visibility and fast landbank turnover, particularly in the industrial segment, with strong interest expected for EBP7. Its recent landbank replenishment in Kulai for EBP8 also positions the group to capture rising industrial demand under JS-SEZ.

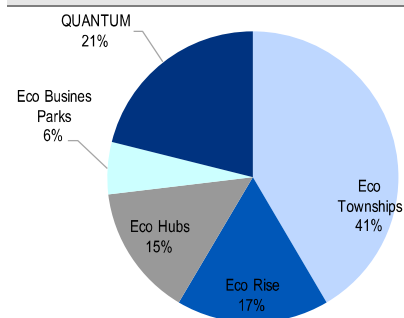
Earnings Revision/Risk

- We lift our FY26-27F earnings forecast by 4-5% and introduce our FY28 forecast.

Environmental, Social, Governance (ESG)

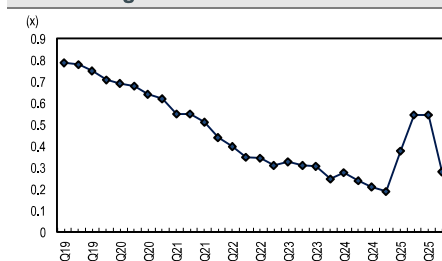
- **Environmental** - 36% reduction in Scope 2 GHG emissions (market electricity) from FY19 to FY24.
- **Social** - 100% of ECW's suppliers for building materials and main contractors are local.
- **Governance** - Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

FY25 Sales Contribution By Revenue Pillars



Source: Eco World Development, UOB Kay Hian

Net Gearing Level



Source: Eco World Development, UOB Kay Hian

One-year Forward P/B Band



Source: Eco World Development, UOB Kay Hian

DC Land Sales Status

Operator	Size (acre)	Sales proceed (RMm)	Status
Microsoft	123.4	402.3	To recognize 10-20% in FY26
Princeton Digital	57.0	223.8	To recognize 80% in FY26
Microsoft	138.5	693.9	To complete by 1HFY26
Pearl Computing	58.1	266.1	To complete by FY26

Source: Eco World, UOB Kay Hian

Profit & Loss

Year to 31 Oct (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	2,931	3,604	4,009	4,440
EBITDA	799	904	1,012	1,114
Deprec. & amort.	28	39	50	71
EBIT	771	865	962	1,043
Associate contributions	45	75	117	188
Net interest income/(expense)	(132)	(191)	(203)	(214)
Pre-tax profit	616	749	876	1,017
Tax	(171)	(202)	(245)	(285)
Minorities	(7)	(8)	(8)	(8)
Net profit	438	539	623	724
Net profit (adj.)	418	539	623	724

Balance Sheet

Year to 31 Oct (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	161	514	665	816
Other LT assets	7,622	8,198	8,814	9,503
Cash/ST investment	2,283	2,130	1,927	1,703
Other current assets	3,409	3,658	3,808	3,967
Total assets	13,475	14,499	15,213	15,988
ST debt	497	397	297	197
Other current liabilities	2,582	2,862	3,000	3,147
LT debt	3,537	3,887	4,237	4,587
Other LT liabilities	3,698	3,878	3,916	3,964
Shareholders' equity	6,240	6,514	6,832	7,201
Minority interest	-	(8)	(16)	(24)
Total liabilities & equity	13,475	14,272	14,970	15,728

Cash Flow

Year to 31 Oct (RMm)	FY25	FY26F	FY27F	FY28F
Operating	907	733	756	817
Pre-tax profit	616	749	876	1,017
Tax	(200)	(202)	(245)	(285)
Deprec. & amort.	28	39	50	71
Associates	(45)	(75)	(117)	(188)
Working capital changes	749	31	(11)	(12)
Other operating cashflows	(240)	191	203	214
Investing	(2,236)	(680)	(700)	(722)
Capex (growth)	(1,088)	(500)	(500)	(500)
Capex (maintenance)	(270)	(180)	(200)	(222)
Investments	(99)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(779)	-	-	-
Financing	1,453	(205)	(258)	(319)
Dividend payments	(225)	(264)	(305)	(355)
Issue of shares	5	-	-	-
Proceeds from borrowings	1,776	250	250	250
Others/interest paid	(103)	(191)	(203)	(214)
Net cash inflow (outflow)	125	(153)	(203)	(224)
Beginning cash & cash equivalent	1,357	2,283	2,130	1,927
Changes due to forex impact	801	-	-	-
Ending cash & cash equivalent	2,283	2,130	1,927	1,703

Key Metrics

Year to 31 Oct (%)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	27.3	25.1	25.2	25.1
Pre-tax margin	21.0	20.8	21.8	22.9
Net margin	14.9	15.0	15.5	16.3
ROA	3.6	4.3	4.8	5.4
ROE	8.3	9.9	11.2	12.6
Growth				
Turnover	29.8	23.0	11.2	10.7
EBITDA	63.0	13.1	12.0	10.1
Pre-tax profit	51.4	21.6	16.9	16.2
Net profit	44.3	23.0	15.5	16.4
Net profit (adj.)	17.9	29.0	15.5	16.4
EPS	13.4	29.0	15.5	16.4
Leverage				
Debt to total capital	64.7	65.9	66.5	66.7
Debt to equity	64.7	65.8	66.4	66.4
Net debt/(cash) to equity	28.1	33.1	38.2	42.8
Interest cover (x)	6.0	4.7	5.0	5.2

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